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Poland

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Approved by:
Jolanta Figurska
U.S. Embassy

Prepared by:
Henry McCaslin

Report Highlights:

Poland's relatively large population of young, educated consumers, rising employment, urbanization, and continued economic growth offer valuable opportunities to American exporters. The strengthening of the Polish zloty against the U.S. dollar is making American exports more attractive; however these exports face challenges resulting from Poland's EU membership. While other sectors of Polish food distribution are already very competitive, HRI provides especially strong opportunities for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland. In addition, Poland's expanding food processing and retail sectors are becoming increasingly attractive for U.S. suppliers of a wide variety of inputs. Refer to Section IV of the report for detailed information on high-value product prospects.

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I: Market Overview

Current economic conditions

Poland's economy has developed rapidly since its move toward a free market in the post-Soviet era, which began in 1989. It is a success story among transition economies that were under former Communist control. The privatization of small and medium state-owned companies and a liberal law regarding the establishment of new firms encouraged the development of the private business sector. In addition, since May 2004, Poland's membership in the European Union opened up a wide range of trade and export opportunities for Polish businesses. EU membership also provides Poland with substantial financial assistance that is helping in further modernization and growth in Poland. This structural development funding from the EU amounted to approximately \$15 billion¹ from 2004 to 2006, with about 15 percent of the total dedicated to rural development.

Poland experienced continued strong growth in 2007 with the gross domestic product increasing by 6.6 percent, but this has begun to slow in early 2008 with lower production and sales growth. In January-April 2008 exports from Poland increased by 34.1 percent compared with the same period in 2007. However it is important to note that this figure is due to the changing U.S. dollar-Polish zloty exchange rate as much as it is due to the increased volume of trade. The vast majority of Poland's exports, 80.4 percent, are destined for the EU. Agricultural products account for 13 percent of Poland's exports, with 60 percent sold to other EU members. In addition, foreign direct investment has fallen slightly in 2007 to 12.8 billion euro from the 15.1 billion euro of FDI in 2006. However, 2006 was a year of higher than average FDI, and foreign interest in investment in Poland remains strong.

Despite its recent economic success Poland's economy still faces significant challenges. Poland's agricultural sector remains burdened by surplus labor, inefficient small farms, and lack of investment. Restructuring and privatization of sensitive sectors such as coal, steel, railroads, and energy while underway, are taking time. However the zloty is strengthening, especially against the U.S. dollar, and this is allowing Poland to pay back long-standing national debts.

Demographics and employment

Poland's population of 38.5 million is increasingly concentrated in cities with 61.5 percent living in urban centers. The median age is 37 years of age and increasing. The age ranges 30 to 44 and 45 to 64 are the largest with 20 percent and 25.4 percent of the population respectively. A trend toward smaller families is becoming more apparent in Poland's 13.3 million households, with an average household size of 3.07.

Average monthly gross wage and salary across Poland in the first quarter of 2008 was \$1,411.73, 10 percent higher than the same period in 2007. The household consumption expenditure rate in the first quarter of 2007 grew 5.6 percent from the same period in 2006. In 2007, average monthly household expenditures per capita were approximately \$389 at current exchange rates. However these figures are based on national averages. In urban centers, incomes, expenditures related to food, and disposable income is estimated to be almost double the countrywide averages. Though income distribution measurements of the country are unreliable and suggest a very small middle class, most Poles consider themselves as members of the "European middle class." They are active consumers who

¹ All monetary figures are reported in U.S. dollars.

buy televisions, computers, and cars. More people are beginning to vacation abroad and regularly eat at restaurants.

Unemployment dropped steadily throughout the year from 12.9 percent (which was the lowest since November of 1999) to 10 percent in May of 2008. This drop was not only due to the increasing the number of Poles working abroad in cities like London and Dublin, but also strong new job creation; 382,400 net new jobs were created in 2006. However this trend of Westward migration is slowing as many in the Polish Diaspora begin to return home and take advantage of the strengthening economy. Of the approximately 17 million people employed in Poland 55 percent work in the service sector, 29 percent work in the industrial sector, and 16 percent of the population works directly in the agriculture, forestry and fishery sectors. Almost half, 47.8 percent, of Polish women are employed outside the home in part or full-time work. Poland has the 4th lowest trade unionization rate among OECD countries.

U.S. exporter opportunities

Exporters who are interested in the Polish market should consider both the opportunities given Poland's relatively large population of young, educated consumers, as well as the challenges that a U.S. exporter faces in light of its EU membership. In general, the Polish view the United States positively and U.S. products are considered high quality. In addition, a product that has been imported into the EU can be transported to Poland without additional tariffs and without meeting many additional regulatory requirements aside from required labeling in Polish language. Poland presents opportunities for U.S. exporters of high value products, such as seafood, wine and distilled spirits, dried fruits and nuts, and grapefruit. Select opportunities also exist in food processing and catering industries, which are increasingly interested in importing processed fruits and vegetables, and baking ingredients such as baking mixes and fats. As the market continues to develop, more sophisticated products such as energy drinks are also finding their place on the market. Most of the opportunities for U.S. products are in urban areas where consumers have larger disposable incomes and are interested in imported products. In summary, Poland does provide advantages to exporters with the right product who are willing to invest in market research and product positioning.

Poland's EU accession has resulted in lowered tariffs on some U.S. products, which has expanded market growth potential in some areas such as wine and distilled spirits, grapefruit, and dried fruits and nuts. Other products are subject to new EU sanitary restrictions that prohibit their sale in Poland almost entirely, such as poultry and beef.

Advantages and Challenges of the Polish Market for U.S. Exporters

Advantages	Challenges
Central Europe's most populous country with a domestic consumer market of nearly 40 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location within a dense, major international market offering re-export potential.	Complicated system of product registration in some cases delaying or even preventing products from entering the Polish market that are new to the EU.
Transshipment from other EU countries of import now possible with Poland's EU integration.	Poland's EU Accession puts United States products at a competitive disadvantage versus EU-27 duty-free EU internally traded products.
A very productive, young and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Despite rising incomes, Polish consumers indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Polish consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Polish consumers views of imported products, and GMO issues hamper imports of United States products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wine and distilled spirits, and microwavable products.	Foreign investment in the Polish food processing industry results in local production of many high quality products that were previously imported.
Economic growth has been rising and the U.S. dollar's depreciation makes U.S. imports more affordable.	While the export of some U.S. goods has been encouraged by EU trade regulations, some goods, namely poultry and beef, are limited due to EU sanitary restrictions.

Section II. Entering the Polish Market, Customs and Terms

The best way to understand the Polish market is to visit and speak to importers and distributors in order to prepare the best entry strategy for your product. Personal contact is considered very important when conducting business in Poland. Most purchases are made after meeting an exporter or their representative in person. English is more and more common as the language of commerce, but it is important to check in advance to see if translation services are necessary. It is customary for business people in Poland to shake hands upon meeting. An American businesswoman should not be surprised if a Polish businessman kisses her hand upon greeting or saying goodbye. Business cards are the norm in Poland and are generally given to each person at a meeting; therefore U.S. visitors should bring plenty of business cards to a meeting, although cards printed in Polish are not necessary. Business attire is formal, including a suit and tie for men and a suit or dress for women.

The concept that "time is money" should be left in the United States when developing relationships with potential importers in Poland. Though Polish businesses are also conscious of the bottom line, courtesy and non-business conversations are important prior to getting "down to business." In addition, if a Polish client visits you in the United States, some hospitality, such as a meal is considered appropriate, and you will be accorded similar treatment while visiting Poland. A good reference on Polish business customs and cross-cultural differences between the United States is Laura Klos-Sokol's [Short Cuts to Poland](#), 2nd Edition, 2005.

Advertising in Poland is important for acceptance for new products. Television, though the most expensive venue, is the best of these mediums in Poland with products advertised through television promotions showing the greatest sales growth of all advertised products. Billboards and in-store promotions are also proving very effective. Promotions on products, such as in-store sampling, have been shown to influence the purchases of 50 percent of adult Poles.

Many Polish importers expect terms-of-credit for 30 to 90 days for imports. These are considered standard and are offered by many exporters from competing countries.

Technical regulations including documentation, sanitary and phytosanitary requirements and labeling have changed since Poland's EU-27 accession. Most of the requirements were amended in order to reflect EU regulations. For detailed information on product import certificates please refer to the EU 27 FAIRS Report, GAIN E48078. For details on other Poland specific regulations such as labeling, refer to Poland's Food and Agricultural Regulations and Standards Report, GAIN PL8023.

GAIN E48078 - <http://www.fas.usda.gov/gainfiles/200807/146295146.pdf>

GAIN PL8023 - <http://www.fas.usda.gov/scripts/AttacheRep/default.asp>

Section III. Market Sector Structure and Trends

Wholesale Sector

The wholesale market has changed over the last several years and is marked by consolidation, an increase in the market power of large buyers, an increase of companies with national coverage, and closer linkages between wholesalers and retailers.

Poland's wholesale market structure has five categories: national chains, regional chains, regional wholesalers, local wholesalers, and buying groups (consisting of regional chains and regional wholesalers). The national chains, the least numerous of them, operate several branches throughout Poland with central management. The regional chains have recently grown through consolidation and purchase of bankrupt firms; they are territorial, usually cover several provinces, and supply mainly retailers. Regional wholesalers have a strong presence in local markets and offer a wide range of products and greater service. Local wholesalers are feeling the pressure of the larger firms in the industry who now primarily deal in cash and carry. Buyer groups operate in several market segments and are increasing their integration with specific retailers.

The larger businesses in this sector are firms with foreign or mixed foreign and domestic capital. The largest is the Macro Cash and Carry, owned by the German company Metro, the second largest wholesaler is Portuguese-owned Eurocash JMB Polska. The U.S. company McClane is also a major player in the Polish FMCG distribution market.

Retail Sector

The distribution system for consumer ready food products, as with all other branches of the Polish economy, is still undergoing a rapid transformation. It should be noted that despite many obstacles including the high cost of credit, high store rents, and complaints of late payments by retailers, it remains one of the most dynamic and fastest growing areas of the Polish economy. The retail sector in Poland is very diversified. It ranges from small family operated stores, through medium sized stores to large distribution centers which can be easily compared with those found in countries in the western EU and the United States.

In 2007 regulations were passed by the Polish legislature forcing hypermarkets, supermarkets, and medium stores to close during certain religious and national holidays. This has led to reduced sales as consumers tended to plan large shopping trips on these days.

Foreign investors are very active in retailing. There are now over 293 hypermarkets nationwide along with many super-stores. The vast majority of the hypermarkets are foreign, with traditional small-scale and predominantly Polish-owned shops facing steadily decreasing sales. There are approximately 30.9 shops per 10,000 inhabitants. According to Polish analysts big retailing chains will gain control of as much as 80 percent of the Polish market within the next five years with only 8 major players remaining.

For more information on the Polish retail sector please refer to GAIN report PL8007.

GAIN PL8007 - <http://www.fas.usda.gov/gainfiles/200802/146293810.pdf>

Food Processing Sector

The food processing sector in many ways reflects the development of the Polish economy since the fall of communism. The sector is varied with both domestic and international companies represented on the market. There are also a number of small companies operating in the fruit, vegetable, meat processing, and baking sectors located throughout Poland. The most important sectors of the food processing industry are meat, dairy, and alcohol, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production. The proportion of food industry products considered to be value-added is constantly increasing.

For more detailed information on Poland's processing sector please refer to GAINS report PL6026 - <http://www.fas.usda.gov/gainfiles/200604/146187598.pdf>

Hotel, Restaurant & Institutional Sector

Traditionally, Poles preferred to dine at home rather than in restaurants. Low incomes and relatively high prices in restaurants have limited growth in this sector. Prices in restaurants and food service establishments in the early 1990s increased much faster than retail prices for food.

Today the variety and sheer number of restaurants reflects the changing demographics in Poland. In the past, primarily foreigners or Polish government officials frequented restaurants and the majority of these restaurants were found in hotels.

With more Poles working longer hours, Polish eating habits have also been altered and eating out is common. Polish, Italian, Chinese, Mexican and Indian restaurants can be found in almost every Polish city. American chains have also started to appear in larger cities like Warsaw. These chains include T.G.I. Friday's, Champions, Mc Donald's, Pizza Hut, and KFC. In addition, many of the international hotel chains such as the Marriott Hotel, Radisson, Sheraton, Hyatt, Hilton, and Holiday Inn are present in Polish cities. Many local entrepreneurs are investing heavily in this sector as well.

Several of the larger domestic producers have set up separate distribution channels especially for this sector. While all the other sectors of Polish food distribution are already very competitive, HRI still provides excellent opportunities for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland.

For more detailed information on Poland's HRI sector please refer to GAINS PL6013 - <http://www.fas.usda.gov/gainfiles/200603/146187212.pdf>

Section IV: High Value Product Prospects

Select high value product imports have recorded strong growth in recent years led by seafood products, nuts and dried fruits, and alcohol.

Polish Imports of High Value Products

Product category	2007 Imports	2-Yr. Avg. Annual Import Growth	U.S. Import Tariff Rate	Key Constraints	Market Attractiveness for U.S. Exporters
Salmon	\$ 267.7	36.15%	2%& 8%	Price competition from local producers and European countries, lack of promotion	Growing seafood consumption and developing restaurant market
Sunflower Seeds	\$22.6	15.65%	0%	Competitively priced quality product available from Hungary	Growing market, insufficient local production of high quality product
Wine	\$184.6	28.85%	9.9-32€ /hl depending on alcohol content	Strong position of French, Italian and other suppliers	Good reputation of Californian wines, growing market
Grapefruit	\$30.6	14.49%	1.5-2.4% depending on season	Competitively priced imports available, esp. from Turkey	Strong position of American suppliers, growing market
Whiskies	\$46.9	61.29%	0%	Traditional consumption of Scottish Whiskey	Increasing consumption due to prestige associated with product
Raisins	\$19.2	3.24%	2.40%	Price competition from other suppliers, such as Iran and transshipments from Germany	Developing market for cakes and sweets
Dried prunes	\$13.0	17.9%	9.60%	Price competition from local and other foreign suppliers	High quality and strong position of California prunes
Pistachios	\$12.6	25.24%	1.60%	Increasing activity of other suppliers (Iran), relatively high prices compared to other nuts	Growing snacks and ingredient market
Peanuts	\$40.8	19.42%	0%	Lower prices offered by competitors (China, Argentina)	Growing snacks and ingredient market
Almonds (shelled)	\$24.0	11.99%	3.50% 0% for bitter almonds	Competitively priced imports available from Spain	Growing snacks and ingredient market

Global Trade Atlas figures, in millions of U.S. dollars, calendar year information

Section V. Key Contacts and Further Information

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in the market development and promotion of U.S. food and agricultural products in Poland. There are a wide variety of ways in which to approach the Polish market and many key contacts such as importers, distributors, and retailers. Please contact FAS Warsaw if you would like additional information on the Polish market if your company is interested in selling U.S. food and beverage products to Poland.

Several commodity groups who are partners with FAS in promotion, called cooperators, are active in the Polish market. Those cooperators particularly active in Poland include: Pear Bureau Northwest, California Pistachio Commission, Raisin Administrative Committee, Northwest Wine Coalition, American Hardwood Export Council, U.S. Wheat Associates, Cranberry Marketing Committee, and Food Export USA Northeast. The California Wine Institute and the U.S. Soybean Export Council have local representatives in Warsaw. These contacts can be provided to any business exporting U.S. food products.

Staff contacts for marketing:

Eric Wenberg, Agricultural Counselor
Kate Snipes, Agricultural Attache
Jolanta Figurska, Marketing Specialist

Office of Agriculture Affairs

U.S. Embassy, Poland
Al. Ujazdowskie 29/31
00-540 Warsaw, Poland

Telephone number: 011-48-22-504-2336

Fax number: 011-48-22-504-2320

E-mail inquires: agwarsaw@fas.usda.gov, jolanta.figurska@fas.usda.gov

Web page: <http://poland.usembassy.gov/poland/agric.html>

Appendix 1. Statistics

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%) ²	10,527/1.04%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	6,058/0.6%
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	982/2.0%
Total Population (Millions)/Annual Growth Rate (%)	38.5/0.05%
Urban Population (Millions)/Annual Growth Rate (%)	23.9/1-2%
Number of Major Metropolitan Areas ³	1
Size of the Middle Class (Millions)/Growth Rate (%) ⁴	3.9/1%
Gross Domestic Product (current growth, 2007)	6.5%
Unemployment Rate (% , September 2006)	10.0%
Average Monthly Food Expenditures, USD	\$70
% of Females Economically Active ⁵	51.9% ⁶
Exchange Rate (U.S. \$1, June 2008)	2.14

²Global Trade Atlas, data from 2007.

³Population in excess of 1,000,000.

⁴These are unofficial estimates due to the lack of reliable statistics.

⁵Percent of total number of women 18-59 years old.

⁶Women in Poland, 2007.

B. POLISH CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

(In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,733	4,424	6,058	29	32	36	.78	.72	.6
Snack Foods (Excl. Nuts)	312	394	500	0.2	0.1	0	0	0	0
Breakfast Cereals & Pancake Mix	12	18	23	0	0	0	.1	0	0
Red Meats, Fresh/Chilled/Frozen	378	415	622	.2	.9	4.5	0	.2	.7
Red Meats, Prepared/Preserved	30	33	68	0	0	0	0	.1	0
Poultry Meat	79	68	75	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	140	169	319	.6	.9	1	.5	.5	.3
Cheese	57	72	116	0	0	.1	0	0	0
Eggs & Products	26	32	40	0	0	.6	0	.1	2
Fresh Fruit	692	757	1,010	.7	.7	1	.1	.1	.1
Fresh Vegetables	211	262	388	0	0	0	0	0	0
Processed Fruit & Vegetables	335	433	575	2	3	3	.5	.8	.6
Fruit & Vegetable Juices	132	137	209	0	1	1	0	0	0
Tree Nuts	90	99	123	8	3	3	9	3	3
Wine & Beer	139	164	233	2	2	2	1	1	.8
Nursery Products & Cut Flowers	177	195	249	0	.1	.1	0	0	0
Pet Foods (Dog & Cat Food)	62	69	92	2	2	2	3	2	2
Other Consumer-Oriented Products	860	1,107	1,415	14	19	18	2	2	1
FISH & SEAFOOD PRODUCTS	667	834	983	8	19	20	1	2	2
Salmon	149	239	268	1	6	6	1	2	2
Surimi	54	47	50	.4	1	.6	.7	2	1
Crustaceans	21	23	32	0	0	0	0	0	0
Groundfish & Flatfish	286	349	424	7	10	13	2	3	3
Mollusks	2	3	4	0	0	0	0	0	0
Other Fishery Products	154	172	205	.4	2	.1	.3	1.4	0
AGRICULTURAL PRODUCTS TOTAL	6,693	7,883	10,528	52	80	109	.7	1	1
AGRICULTURAL, FISH & FORESTRY TOTAL	8,392	9,947	13,123	68	107	139	.8	1	1

Source: FAS' Global Trade Atlas

C. POLISH IMPORTS FROM TOP 15 SUPPLIERS OF CONSUMER FOODS AND SEAFOOD

CONSUMER-ORIENTED AGRICULTURAL IMPORTS (\$1000)				FISH & SEAFOOD PRODUCTS (\$1000)			
	2005	2006	2007		2005	2006	2007
Germany	770,694	1,054,499	1,473,593	Sweden	148,846	215,028	237,010
Netherlands	562,324	651,406	864,520	Vietnam	11,104	64,903	101,707
Spain	347,550	409,312	578,846	Norway	70,678	79,336	101,621
Italy	259,925	305,356	433,994	Denmark	85,876	92,512	89,120
Denmark	236,789	247,637	317,066	China	55,503	64,908	84,900
France	189,840	244,650	315,233	Germany	70,888	58,781	76,971
Czech Republic	146,074	158,185	269,730	Russia	20,132	45,479	50,365
Belgium	126,048	165,937	226,817	Netherlands	47,815	37,061	46,519
Hungary	125,297	138,020	203,819	Iceland	26,003	29,305	29,724
Turkey	112,269	141,172	167,028	United Kingdom	14,855	23,121	21,994
United Kingdom	73,440	80,267	149,316	United States	8,385	19,414	19,975
Austria	75,641	96,076	118,137	Argentina	19,773	14,137	14,975
Lithuania	33,610	40,973	80,642	Thailand	10,895	11,966	13,281
Greece	73,220	70,841	80,041	Spain	8,933	9,436	10,432
China	22,664	28,584	65,461	Lithuania	8,018	6,226	9,398
Other	577,326	591,425	714,065	Other	59,157	62,371	74,655
World	3,732,711	4,424,340	6,058,308	World	666,860	833,985	982,646

Source: FAS' Global Trade Atlas